

**Captured by the Image in the Mirror:  
A Longitudinal Study of Corporate and Organisational Identity Dynamics**

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## **Captured by the Image in the Mirror:**

### **A Longitudinal Study of Corporate and Organisational Identity Dynamics**

#### **Summary**

Research on identity has raised attention to the importance for managers to align corporate and organisational identity, and to express those identity features that are central, distinct and enduring to strengthen corporate image and reputation among a variety of stakeholders.

Drawing from an extensive data collection from two longitudinal studies in the same organisation, Oticon A/S, this study challenges the advantage of an enduring corporate identity by exploring how the dynamics between an organisation's corporate identity and its organisational identity unfolded over time.

Following a grounded theoretical approach, a process model is developed to show how the strong corporate identity fluctuated from being productive for the alignment of organisational identity and member identification to being counterproductive during a period of ten years. The paper discusses the implications of endurance of a strong corporate identity, and contrary to prior research we suggest that a strong corporate identity may result in member disidentification. We also suggest that a strong enduring corporate identity may impede organisational development, because top management will disappoint external and internal audiences if a corporate identity change is suggested. The paper concludes by encouraging more longitudinal research to advance knowledge about the complex dynamics of interplay between corporate and organisational identity.

#### **Introduction**

In this article we take a critical view on the implications of an enduring corporate identity in the construction of organisational identity. A significant amount of studies have explored the

concept of identity in recent years (e.g. Academy of Management Review, 2000; Ashforth & Mael 1989, 1996; Balmer & Greyser, 2002; Collins & Porras, 1994; Cornelissen, 2002; Dutton & Duckerich, 1991; Dutton, Duckerich & Harquail, 1994; Hatch & Schultz, 1997; Whetten & Godfrey, 1998), but only a small number of these studies explore the concept of identity endurance<sup>i</sup> (e.g. Brown & Starkey, 2000; Cheney & Christensen, 2001; Gioia, Schultz & Corley, 2000), i.e. the notion that an identity should exhibit some degree of sameness over time, or what Albert & Whetten refer to as “the criterion of claimed temporal continuity” (1985, p. 265). Many studies within the broad field of identity assume or demonstrate how an enduring strong corporate identity enhances corporate reputation and competitiveness (Fombrun, 1996; Fombrun & van Riel, 2004), supports alignment with organisational identity in corporate branding efforts (Hatch & Schultz, 2001; Aaker, 1996), and also increases member loyalty and identification (Ashforth & Mael, 1996; de Chernatony, 2002). However our longitudinal empirical studies demonstrate that a strong enduring corporate identity may also lead to negative disalignment among members in a long term perspective.

Our findings are based on a case study of the national icon of corporate identity associated with innovation, Oticon A/S (hereafter Oticon). Oticon was celebrated by internal and external audiences for more than a decade – not because of its products or its profits – but because of its strong identity. The paper unfolds how Oticon’s strong corporate identity – reinforced by the media - initially created a positive disalignment with the organisational identity then the corporate identity entered into a phase of close alignment with the organisation identity, before it finally developed into a negative disalignment between corporate and organisational identity. While we unfold each of these phases, we particularly highlight the last phase of disalignment, since our major contribution in this paper is to unfold the complexity for managing organisational identity that is raised by a strong and appealing corporate identity which endured for a long time. While top management and external

audiences may agree on and support the enduring corporate identity and hereby gain the benefits of an appealing long-term reputation and a strong corporate brand, the prize may be member disidentification, i.e. loss of members' trust and loyalty (Ashforth & Mael, 1989). In our case the strong, appealing and enduring corporate identity led to disloyalty and disidentification among organisational members.

We argue that this may in particular be true for expressive corporate identities that have conspicuously over a number of years communicated their corporate identities to a variety of stakeholders to achieve positive awareness as the expressiveness triggers very high expectations among existing as well as new members. While the expressive corporate identity initially facilitated an alignment of the organisational identity, it also became the facilitator of a negative identity disalignment. Our case company, Oticon, became a national icon for corporate innovation from the beginning of the 1990s, as it launched its “spaghetti organisation”, which instigated internal and external stakeholders to develop profoundly high expectations of innovative behaviour from the company. These expectations were reinforced by top management and the media, and they developed into an escalation of expectations, as top management and the media continued for ten years to praise the corporate identity of innovation - supported by the perceived evidence of growing profits. However, (by the end of our study) organisational members’ high expectations to find an innovative organisation were not fulfilled to the extent promised by top management and expressed in the media, and a process of negative disalignment evolved.

By adopting a longitudinal empirical approach we add not only empirical substance to the predominantly theorized subject of identity and their dynamics (Hatch & Schultz, 2002), but we also add to the *status quo* or snapshot analyses of identity (Collins & Porras, 1994; Hatch & Schultz, 2000). Our processual perspective offers new insights to the complexity and dynamics as identities unfold over time in organisational practice, as we show how the sameness of a

strong corporate identity (as perceived and expressed by top management and the media) is perceived differently by organisational members during our ten years of observation..

The article is organized as follows. First we position the paper's definition of public construct of corporate identity (hereafter public identity), corporate and organisational identity based on prior research and define the issue of endurance in relation to identity. Following an outline of the research methodology, we present the empirical data, and then a process model is developed of the dynamics between corporate and organisational identity in a longitudinal perspective which is the product of our analysis. In the discussion we explore how the relationship between corporate and organisational identity played out in our case company over time and how the durability of the corporate identity led to a dysfunctional organisational identity. We challenge the acceptance of endurance of corporate identity as a solely positive force in constructions and reconstructions of organisational identity, and finally we present our conclusions.

### **Public, Corporate and Organisational Identity**

While the concept of identity has attracted much research interest recently – and at times heated debate (e.g. the critical and enlightening debate on identity as a metaphor in *British Journal of Management*, 2002 by Gioia, et.al., versus Cornelissen), it has also evolved into a plentiful construct that has spurred some researchers to clarify the concept and its relations to other concepts of e.g. brand, image, reputation and culture (Balmer & Greyser, 2002; Hatch & Schultz, 2000).

For the purpose of our study we make an analytical distinction between public identity, corporate identity and organisational identity. We do not try to create a common tongue for defining identity, but we rather want to employ the distinctions analytically as we explore how public, corporate and organisational identity interact, converge and divert to

understand the dynamics of identity in organisations, specifically focusing on the aspect of endurance.

Although these concepts (in particular corporate and organisational identity) have considerable overlap as pointed out by Hatch and Schultz (2000) and van Riel and Balmer (1997), their proponents come from different disciplinary discourses why we attempt to make a clear distinction for the purpose of this paper as outlined in the following.

### ***Public Identity***

To support our analysis of the implications of a strong enduring corporate identity, we bring in the endurance of public opinion represented by the media's mention of Oticon in a longitudinal perspective. In the paper 'public identity' refers distinctively to the media's perception of the corporate and organisational identity and conveys a more narrow, yet related, definition to the concept of reputation (Fombrun, 1996). While prior research related to the notion of public identity has primarily emphasised external audiences in relation to for example reputational gains (Fombrun, 1996; Fombrun & van Riel, 2004), distinctive corporate brands (Keller, 2000; Aaker, 1996) or strategic stakeholder relations (Moir & Hockerts, 2004; Post, Preston & Sachs, 2002), the media's influence on identity and in particular on the interplay between corporate and organisational identity is yet an under-explored area (Dutton & Duckerich, 1991; Morsing, 1998). We found that the media's ongoing positive representation of Oticon's corporate identity contributed strongly to the enduring construction and reinforcement of the corporate identity.

### ***Corporate Identity***

The concept of corporate identity is rooted in marketing literature and consultancy practice. It most often connotes how an organisation expresses and differentiates itself in relation to its

stakeholders through the use of symbols and communication (Balmer, 1995; Hatch & Schultz, 2000; Olins 1995; van Riel & Balmer, 1997). Corporate identity is presented as a function of leadership which emphasizes the role of top management vis á vis employees. According to van Riel and Balmer (1997), the concept of corporate identity has later broadened to also include communication to external stakeholders such as potential customers, investors or governmental institutions and even more recently to become “the way in which an organisation’s identity is revealed through behaviour, communications, as well as through symbolism to internal and external audiences” (van Riel & Balmer, 1997, p. 341). The inclusion of internal stakeholders as receivers of the corporate identity message is also described by Cheney & Christensen (2001, p. 29) who present internal stakeholders as target group for management’s efforts to articulate, express and celebrate the company’s corporate identity and by van Riel (1995, p. 29) who lists “[r]aising motivation among employees” as an internal effect of corporate identity.

For the purpose of this paper we build on van Riel & Balmer’s definition of corporate identity as we in particular pay attention to top management’s planned and operationally applied communication to internal and external stakeholders including symbolic, graphic and verbal representations.

### ***Organisational Identity***

Building on social identity theory (Blumer, 1969; Goffmann, 1959; Parsons, 1960), Albert & Whetten introduced the concept of organisational identity in 1985 as an organisation’s “central, distinctive and enduring aspects” (p. 265). For the purpose of our paper, we refer to the distinction between corporate identity and organisational identity suggested by Hatch & Schultz (2000), where corporate identity is a top management concern linked to the company’s vision and strategy, and where organisational identity is what

organisational members perceive, feel and think about their organisation. We adhere to their definition of organisational identity as “a cognitive and emotional foundation on which organisational members build attachments and with which they create meaningful relationships with their organisation” (Hatch & Schultz, 2000, p. 16).

We acknowledge that not all members will share a common perception and understanding, and that organisations have multiple identities that are used for different purposes by different persons as noticed by Balmer and Greyser (2002). When we refer to identity in this article, we thus refer to the dominant expression among organisational members rather than the only expression.

### ***A Focus on Endurance***

Durability or endurance of identity is one of the three defining aspects of identity proposed by Albert and Whetten (1985). In the literature, endurance is repeatedly invoked as essential for the long term success of a company (Ashforth & Mael, 1996; Collins & Porras, 1994; Dutton & Duckerich, 1991; Dutton, Duckerich & Harquail, 1994).

Although some authors have questioned how durable the organisational identity actually is (Gioia, Schultz & Corley, 2000) and should be in order to be able to adapt to a changing environment (Brown & Starkey, 2000; Cheney & Christensen, 2001), they still suggest that a stable discourse which gives room for continuous reinterpretation of meaning is preferable. Our interest in the phenomenon of endurance arises from our empirical observations of a stable, enduring and highly appealing corporate identity which evolved from a positive facilitator for the organisational identity into a negative facilitator for the organisational identity. This leads us to explore the dynamics between corporate and organisational identity in order to gain a better understanding of what a durable corporate identity actually implies for the identity of the

organisation. Hopefully our conclusions will contribute to a further understanding of the link between identity and endurance as called for in Gioia et al. (2000).

## **Method**

To understand the dynamics between corporate and organisational identity and the implications of an enduring corporate identity on organisational identity, we draw from a combined longitudinal process study of organisational development in Oticon from 1990 to 2000. The combined data material from two doctoral theses provides the background for our joint analysis in this paper: the first thesis explored the development of identity in Oticon from 1990-1993 (Morsing, 1995), and the second thesis explored identity in Oticon from 1999-2000 (Kjærgaard, 2004). In between these periods both authors had frequent contact and interviews with managers and employees in Oticon as respectively a follow-up and a preparation of the studies. We combine these research projects with a systematic exploration of Oticon's appearance in the national media from 1990-2000 (Morsing, 2006). The study is based on a grounded theory approach with the aim to build a model of how the identity concepts interrelate and unfold over time in the organisational development process.

We draw from a constructivist epistemological understanding of reality as socially constructed and thus acknowledge that what we refer to as corporate and organisational identity are not unequivocal nor stable phenomena, but are constructions which are shaped by the participating members, including ourselves as researchers, and the situational context which the phenomena are part of (Denzin & Lincoln, 2000). As we followed members' concurrent construction and re-construction of reality vis á vis the corporate identity, we were able to study the interplay between corporate and organisational identity as concurrent processes as well as to achieve an understanding of the role of the external public construct of

the corporate identity as the media turned out to be a significant player as the identity process unfolded.

### ***Research Setting***

Oticon was founded in Denmark in 1904 and is today the second largest provider of hearing aids worldwide. Until 1990 Oticon was a profitable, discrete and publicly unknown company in the spirit of the founding father William Demant. After a serious economic crisis in the late 1980s, a new CEO, Lars Kolind turned the corporate identity of Oticon into a national icon of innovation in the 1990s, conspicuously celebrated and admired across a variety of stakeholders. Lars Kolind articulated a vision of “think the unthinkable”, created the “spaghetti organisation” (i.e. innovative, flexible, yet still a coherent portion) and managed to turn the fortune of the company around. The spaghetti organisation became internationally known for its physical relocation into open-space offices with no fixed work place for the individual, introduction of a project organisation based on the abolishment of formal hierarchy and departmental structures, and the encouragement of all employees to use their skills creatively rather than worry about hierarchical or departmental positions (Morsing 1995). In the beginning of the 1990s the spaghetti organisation was perceived as a daring organisational experiment and it attracted much attention. Many university and business school professors and students studied the company, and quite a few researchers published books and articles about Oticon (Foss, 2003; Kjærgaard, 2004; Larsen, 2002; Lovas & Ghoshal, 2000; Morsing, 1995; Peters, 1992; Ravasi & Verona, 2001). Moreover national television, DR, but also international television stations like BBC and CNN broadcasted television programs about Oticon, and several international newspapers including Der Spiegel, New York Times and The Guardian brought articles about the organisational change process and the new spaghetti identity.

In brief the spaghetti organisation turned into an icon of innovation and change which – most importantly for this paper - proved to be very durable and therefore well-suited for our study of enduring identity dynamics.

### ***Data Collection and Analysis***

Our joint data collection spans 10 years: 1990-2000 - and is still ongoing today although at a less systematic level. The data was collected through participant observation, interviews, historical documents, archival data and corporate artefacts. Our data represents all levels of the organisation from operational-level members, project managers to top management, as well as a systematic review of newspaper articles about Oticon within the same period.

During two periods from December 1990 to June 1992 and from February 1999 to July 2000 the data collection was carried out in intense real time *participant observation* which has contributed to a very rich data material. During these intense periods of participant observation, the participating researcher took part in the daily life of the organisation, talking to different people in various parts of the organisation, listening to how they described and interpreted their own as well as their colleagues' and top management's decisions, statements and action. We both kept diaries to document events as completely as possible. Participant observation was supplemented with unstructured (open) as well as semi-structured *interviews* (Kvale, 1996). In total, we have made approximately 250 interviews each lasting between one and two hours.

Although *written documentation* was not prioritized in Oticon, internal memos, strategy plans, visions, and corporate communication brochures, where it was available, have supplied important information. This has also been the case with available secondary documentation about Oticon from other sources including the media and academic articles, see for example (Foss, 2003; Lovas & Ghoshal, 2000; Ravasi & Verona, 2001). Finally *artefacts* like symbols

and architecture have been valuable sources for understanding the visions and values of the company.

Since both authors took a research interest in understanding the development in Oticon from an identity perspective, we have a unique and valuable set of data, which covers an extensible long period, comes from a variety of data sources and includes detailed, in-depth, qualitative data of construction and reconstruction of identity.

To analyze data as interpreted and experienced by organisational members, we used a constructivist grounded theory analytic strategy inspired by Locke (2001) and Charmaz (2000) to construct the concepts from which to build a process model of the dynamics between corporate and organisational identity. By interpreting management's expressions of the corporate identity and organisational members' expressions of the organisational identity, we have constructed a process model which depicts the development of the corporate and organisational identity over time. The construction of the concepts has taken place in a process of constantly comparing the emerging concepts with the data itself in order to refine the concepts and create more robust conceptual categories. These categories have then been delimited to clarify the story and construct the process model as a theoretical framework which presents the identity dynamic in Oticon. This approach is similar to those of Strauss & Corbin (1998) and Locke (2001).

In the following section, we present our empirical data from the field study.

### **Empirical Findings**

The field study can be mapped onto three phases which, in our interpretation, are distinct in terms of the identity dynamics. The three phases are presented in chronological order: (1) Introduction of the Corporate Vision 1990-1991, (2) Living the Corporate Vision 1992-1997, and (3) Alienation from the Corporate Vision 1998-2000. Table 1 shows representative quotes from our database which for each of the three phases, describe the responses to the three

identity concepts of (a) public identity, which is the external view of the organisation primarily provided by the media, (b) corporate identity, which is management's projection of the organisation to external and internal stakeholders, and (c) organisational identity, which is the organisational members' understanding of who they are as an organisation. We would like to stress that the phases do overlap and are not as separable in practice as they are presented here. The table is followed by a conceptual and more copious description of the three phases.

Insert table 1 here. "Ten years of expressions of public, corporate and organisational identity in Oticon: Quotes"

### ***Phase 1: Introduction of the Corporate Vision (1990 – 1991)***

On April 18 1990, the newly appointed CEO, Lars Kolind, presented the vision of "think the unthinkable" in a written memo to all organisational members. The vision was one of an extremely flat, creative, informal, anti-control, knowledge-based, and enthusiastic company. The goal was to increase profitability by 30 % in 3 years – an aim which named the change project "project 330". In almost all aspects, the vision contrasted the "old Oticon" which was formal, hierarchical and discrete. In the new vision, managers and organisational members were encouraged to exceed previous norms, act independently, to cultivate new ideas and to realize them. Hierarchical position was no longer valued; performance was (Morsing, 1995). Control and rules were replaced with delegation of authority, and trust towards the individual member was promoted as the best motivation factor.

On a press conference in April 1991, the media was for the first time introduced to Oticon's change project and its new organisational form. The story caught interest and this demarcated an entry into an era of conspicuous communication with attention from journalists from all major newspapers in Denmark followed by international media attention. Being

visible in society was a highly controversial yet appealing phenomenon among managers and employees in Oticon.

The vision did not turn into reality until 15 months later, when the company relocated to a new open-space office building. Here the high expectations that were raised for the new organizing principles and activities were enacted. Simultaneously the increasing media attention and publicity created a tension between the every day life experienced by employees and the vision. Lars Kolind referred to the vision as if it was already everyday action, but organisational members experienced very little change in practice and even saw it contradicted by Lars Kolind himself several times. On the other hand, the attention and positive thinking also spurred a sense of pride among employees and the members began to distance themselves from the "old Oticon" which in the light of the new vision was presented by top management as quite old-fashioned and far less attractive (Morsing, 1995). In the confrontation with a more appealing self-description, the organisational self-reflection was enacted and changes in the self-description started to occur.

### ***Phase 2: Living the Corporate Vision (1992 – 1997)***

Gradually the tension between the top managerial vision expressed in the corporate identity and the actual every-day experiences of organisational members evaporated. Employees experienced that they could actually enact innovation in their own jobs and create new opportunities for themselves and the company. Employees were continuously encouraged to come up with new ideas and projects, which they would be willing to take responsibility of. It created a sense of co-ownership of the vision and an increased productivity and creativity among organisational members, and it resulted in some important product releases which at that point gave Oticon a competitive advantage. The organisational economy improved during

this period. The spaghetti organisation was enacted and it became an attractive place to work for, and Oticon experienced an unprecedented amount of unsolicited job applications.

Openness and trust were praised as important organisational characteristics which differentiated Oticon from other workplaces and the organisational members referred to their ways of working as unique, their jobs as creative and challenging and they used the vocabulary of the spaghetti organisation to enthusiastically introduce their workplace to outsiders. This enthusiasm pervaded the organisation in this phase.

The media continued to pay Oticon much attention during this phase and employees were encouraged by Lars Kolind to actively take part in the media attention by engaging themselves in interviews or by taking the invitations from students or other businesses to present the spaghetti organisation to external audiences. Organisational members in this period experienced an era of "star status".

In practice several of the structures and mechanisms that were initiated in the very early days of the "spaghetti organisation" were partially abandoned beginning in 1996 and the organisation was gradually transformed into a more traditional matrix structure with less decentralisation and delegation of decision rights than the vision embarked (Foss, 2003). However, although the organisation in this way turned into a more moderate and less "spaghetti-like" organisation, organisational members still proudly perceived themselves as being part of a unique and radically different organisation which again was reinforced by management and unreflectively expressed in the media.

### ***Phase 3: Alienation from the Corporate Vision (1998 – 2000)***

The corporate identity was still dominated by the spaghetti vision in the third phase and it was persistently expressed in Oticon's corporate communication in for example the mission & human values brochure and in the annual reports. However some structural changes emerged

partly as a consequence of the change in top management. Lars Kolind left Oticon in April 1998 and his successor, Niels Jacobsen, who had been co-director with special focus on finance since 1992, became CEO. As a contrast to Lars Kolind, Niels Jacobsen was much more introvert and reluctant to talk to the media unless it was to comment upon the financial results of the company (Kjærgaard, 2004). As he became CEO after Lars Kolind, he did not introduce radical changes, but he did express his priorities as being more related to product development and sales rather than to marketing and media attention. However, this did not change his public support of the spaghetti organisation.

As already mentioned some of the structures and work practices, which had been cornerstones in the spaghetti organisation, were abolished in the mid 1990s and during the third phase these changes gathered speed. An important change was the members' perception of increasing reluctance in management to allocate attention or resources to non-product related ideas and initiatives. They experienced this when they for example presented ideas for new organisational work processes or marketing initiatives which were not directly product related and top management did not support or listen to these initiatives per default as before. No matter if they were newcomers to Oticon or existing employees, this was in sharp contrast to their high expectations of the spaghetti organisation as an organisational form to promote innovation (Kjærgaard, 2004). At first organisational members responded to management's non-action by blaming their own inabilities to present something which was creative or valuable enough for top management to spend time on. However, as time passed and their experiences continued to clash with their expectations, organisational members gradually reinterpreted the managerial non-action and constructed a quite different meaning of it as a rejection, a disinterest, and a message for them to stop the action. They increasingly expressed feelings of disappointment, frustration, confusion, uncertainty, anger, annoyance, and despondency and questioned the validity of the corporate identity as "just talk".

These changes were expressed by the members as contrasts to their previous experience in the organisation and included amongst others a focus on values of results as opposed to image, good workmanship as opposed to creativity, stability as opposed to need for continuous change, management indifference as opposed to management attention and action as opposed to rhetoric (Kjærgaard, 2004). This shows that the organisational members' perception of the organisation changed in the third phase and increasingly diverged from the original expectations of the spaghetti organisation.

Based on our analysis of the identity dynamics expressed in the three phases of the process, we next present the analytical results of our study.

### **Conceptualisation and process model**

Based on the quotes presented in the longitudinal process in table 1, we here present the concepts that derive out of our analysis of the process data in table 2 below. This table demonstrates how public, corporate and organisational perceptions of identity construct, reconstruct and deconstruct each other during a period of ten years. In particular we want the reader to pay attention to the finding that while the public and the corporate identity successfully reinforce each other for ten years, organisational members' perception of the identity changes remarkably over that same period, i.e. the organisational identity changes. While the first phase is characterized by the construction of a new interplay between public, corporate and organisational identity, the second phase is characterized by alignment between corporate and organisational identity, and finally in the third phase the alignment between corporate and organisational identity is deconstructed. We demonstrate these shifts in table 2 by the first order concepts (i.e. initial conceptualisation of raw data) and second order concepts (aggregate concepts based on first order concepts) (Locke, 2001).

Insert table 2: First and second order concepts: public, corporate and organisational identity

In figure 1 below we have depicted the conceptualizations of the three phases to show how the public, corporate and organisational identities interrelate and unfold over time in the field study as well as indicate the dynamics of the process by adding two transition phases: transition a: “from disalignment to alignment” and transition b “from alignment to disalignment”. The process model including the transition phases is explained below.

Insert figure 1 here. “A process model of corporate and organisational identity dynamics”

In the model, we have conceptualized how the public and the corporate identity remained the same over ten years, while the organisational identity changed remarkably. In transition a “from disalignment to alignment” there was a significant gap between the corporate and the organisational identity as the somewhat rambling vision was perceived quite far from the everyday life of the members. Members found it difficult to envision the change to a radically different organisation and they were initially quite sceptical towards the spaghetti vision. This first transition phase depicts a process which was encouraged by dissonance between corporate and organisational identity. While it was a period of uncertainty and scepticism, it was nevertheless permeated by a pioneering spirit driven by a "lack of but lust for experience" amongst employees with a hope for a promising future with innovative organisational norms and structures. The second transition b “from alignment toward disalignment" shows a change following a long period of satisfaction, innovation and a strong identification with the corporate identity among employees. In transition b “from alignment to disalignment”, organisational members increasingly experienced that their high expectations of spaghetti, innovation and knowledge-creation were not met. The spaghetti promise was not fulfilled.

This finally led to a new experience of scepticism in the third phase - yet this time a disillusioned scepticism. In spite of the persistent top managerial expression and media reinforcement of the spaghetti organisation members were disillusioned.

In sum, while the public and the corporate identities remained stable and enduring over ten years, the organisational identity changed considerably. In the following we discuss this identity change process.

## **Discussion**

Our empirical study of the interrelationship between corporate and organisational identity contributes to the ongoing theoretical discussion on the concept of identity in more respects. First and foremost, it challenges and discusses the assumption that a strong, appealing and enduring corporate identity will enhance member identification. Second, it discusses some possible consequences for management when they become captured by a central, distinct and enduring corporate identity. Finally we highlight the significance of analyzing the interplay between corporate and organisational identity in longitudinal studies.

Our case study shows how the presentation of a strong, appealing corporate identity can contribute to the active construction of a close and positive alignment between corporate and organisational identity (the positive identity dissonance gap in figure 1), but more importantly it also shows that the endurance of such strong and appealing corporate identity may lead to negative disalignment and member disidentification with the corporate identity in a long term perspective (i.e. the negative identity dissonance gap in figure 1). By introducing the two concepts of positive respectively negative disalignment, we extend the literature on identity dynamics to adopt a more complex view of the interrelationship between corporate and organisational identity over time. While prior identity research has focused on exploring what mechanisms and processes may contribute to “closing the gap” between corporate and

organisational identity (Hatch & Schultz, 2000), how dissonance between external stakeholder perceptions and member perceptions have contributed to change existing alignments between corporate and organisational identity (Dutton & Duckerich, 1991; Gioia, Schultz & Corley, 2000; Morsing, 1999) and also how such dissonance may maintain and even reinforce existing alignment in the face of a perceived external identity threat (Elsbach & Kramer, 1996), this paper pay particular attention to the enduring corporate identity's role on the negative disalignment process.

In our empirical study the corporate identity remained the same over ten years in the eyes of the media as well as in top management's expression, but it changed from being positive to becoming negative in terms of organisational members' willingness to engage and identify with the corporate identity. In the first phase, the construction of the corporate identity was based on the narrative of an ideal identity (Balmer & Greyser, 2002). The disalignment or dissonance between corporate and organisational identity was accepted as a productive myth enabling the creation of a better future 'reality' in times of uncertainty about the future of the corporation. According to (Hogg & Terry, 2000) a high level of uncertainty may work to produce "a prototypically homogeneous and cohesive organisation or work unit with which members identify strongly" (p. 124). In the middle phase, members experienced an alignment with the corporate identity: they described themselves in terms of the corporate identity introduced in the first phase, reinforced by the positive support from external audiences in a cycle of self-fulfilling prophecies (Weick, 1995). In the third and last phase a new disalignment re-emerged, but this time it created frustration and disidentification among organisational members.

While prior research has shown how a decline in organisational performance is often a cause for members to revise their organisational identity (Dutton, Duckerich & Harquail, 1994), this was not the case in Oticon. In fact, the economic performance increased steadily throughout our ten years of study, and Oticon advanced its market position to becoming the

second largest hearing aid provider, outperforming the strongest competitor Starkey. So how are we to understand that the same strong enduring corporate identity may work as a facilitator of organisational identification at one point in time and later as a facilitator of organisational disidentification?

Dutton, et.al. (1994) demonstrated how members' identification weaken if they perceive major inconsistencies between expected and actual organisational actions, but this contrasts with our empirical findings that the disalignment – or inconsistency - between corporate and organisational identity in phase 1 resulted in alignment, and it does not help us understand why the alignment in phase 2 later resulted in disalignment. In both transition periods members perceived major inconsistencies between actual and organisational actions, and yet the former transition led to constructing a close corporate-organisational identity alignment (i.e. member identification) while the latter led to deconstructing this alignment (i.e. member disidentification).

To understand why one transition characterized by disalignment was productive while the other was not, we point at the endurance of the strong and appealing corporate identity itself. The spaghetti organisation had persisted as the corporate identity and survived for ten years as an icon of innovation and flexibility. Although top management changed over this period, the corporate identity remained the same, and so did the media's representation of the company. Although this highly synergetic identity proved beneficial for effective and efficient organisational responses to challenges from competition, as described by Pratt & Foreman (2000), it also cost the organisation in terms of the ability to handle multiple identities when the organisational members started to question the spaghetti identity in the third phase of the process. The strong external positive reinforcement of the corporate identity contributed to maintaining high expectations among organisational members about opportunities for innovation and flexible action. In particular newly recruited employees held these high expectations, and as they did not

recognize them upon their arrival in the company, they started to critically question the concept of spaghetti and to disengage from the corporate identity – some even left the company (Kjærgaard, 2004). In the framework of Pratt & Foreman (2000), organisational members' frustration can be linked to the lack of alternative identities to draw from and thus a consequence of prioritising a single synergetic identity.

Our study calls into question the value of endurance of a corporate identity that holds on to a strong, icon-like yet unchanged self-description during many years. We question to what extent it is possible to induce an enduring high level of organisational identification without a frequent central re-interpretation of the corporate identity as for example Brown & Starkey (2000) call for in their discussion of identity reflection as an integral feature of strategic management.

Another related implication of our study suggests that the often suggested role of external stakeholders as identity change agents can be misleading in the case where the corporate identity is particularly central, distinct and enduring. In Oticon, the external stakeholders were, if not more, then at least just as preserving an influence on the strength of the corporate identity as the internal stakeholders. Although we acknowledge the value of shifting the focus from an internal-external view to a manager-stakeholder view when power issues are in focus as presented by Scott & Lane (2000), our study highlights how the internal-external view is important to understand how particularly external stakeholders' support of the corporate identity can lead to a dysfunctional organisational identity over time. Consequently, we support Gioia, Schulz & Corley's (2000) call for more research into the role of the media in identity construction.

The second major contribution from our study is an analysis and discussion of management's possibility for action and influence on the identity dynamics. Analysing the historical development of Oticon's corporate and organisational identity, we argue, that Oticon's top management was trapped in the incontestable and enduring positive associations related to

the company's strong corporate identity. We based this on two arguments: First, we argue that top management was trapped to the extent that it could not change the corporate identity without disappointing external and internal audiences. And second, we argue that nor could it continuously fulfil the over-accentuation of renewal and innovation, which was central to the promise of the corporate identity of spaghetti. We have depicted this catch-22 situation in figure 2.

Insert figure 2 here: The Catch-22 of a Strong and Enduring Corporate Identity

On the one hand, the enduring corporate identity had met an unprecedented positive support from external audiences (represented by the media in our analysis) which had highly motivated employees and contributed to their positive identification with the corporate identity for years, as also described by for example Scott and Lane (2000). This resulted in an almost symbiotic nature of alignment between external and internal audiences in phase 2 which supports the observation by Dutton et.al, that "when an organisation's reputation is widely disseminated through an extensive press or media attention, for example, the organisation's reputation is likely to be highly correlated with the external image of the organisation construed by insiders" (Dutton, Duckerich & Harquail, 1994, p. 249). The positive reinforcement of the spaghetti organisation had been pivotal for the organisational self-description, and had led to external and internal audiences reinforcing each other in their celebration of spaghetti as depicted by the arrows in figure 2. While external audiences consistently confirmed a positive description of Oticon's corporate identity, the call for corporate identity change had to come from the inside, i.e. from members. This did not happen as the insiders liked what the outsiders saw. Further, while Oticon did not face any economic or otherwise impending crisis in the period of transition b, there was no reason and no urge for top management to change the corporate identity. A change would

face the risk of creating a negative dissonance between not only corporate and organisational identity, but also between corporate identity and the public identity as the external audience's perception of the company. Too many identity risks were connected to a change of corporate identity and there was no immediate threat to motivate support for an identity change. As such, top management was held captive by the conspicuous and enduring stakeholder support for the corporate identity of spaghetti.

Concurrently, we argue that Oticon's top management was not in a position to maintain the continuous fulfilment of the spaghetti promise in practice. While the promise of renewal and innovation had been introduced (in phase 1) as a counter-reaction to the bureaucracy and rigid routines of the "old Oticon" (ante phase 1), the corporate identity had lost much of its "freshness", its pioneer ambience and its "lack of experience" which had been a strong source of member identification. In fact, the spaghetti organisation had turned into an experienced organisation with new routines, norms and evidently now also a history of "spaghetti". We argue that the lack of experience and untestedness of the corporate identity in phase 1 was a condition for the successful transition towards alignment between corporate and organisational identity into phase 2. This "lack of experience" could not be re-invented in transition b, where the corporate identity was no longer untested and where it did no longer provide members with the former sense of adventure and organisational explorations. We argue that while inexperience was a key driver towards alignment in transition a, experience was a key driver for disalignment in transition b towards phase 3.

Finally, as our third main contribution, our longitudinal study has demonstrated that process studies are needed in order to gain further understanding of the dynamics of identity (construction as well as development) in organisations. Had we not been able to engage empirical data from a ten year period, we would not have been able to analyze the gradual development of organisational members' perception of the corporate identity. Rather than a

development we would have had unconnected "snapshots" of organisational identity development. By introducing a longitudinal study we have been able to demonstrate the context for the unsuccessful continuation of an otherwise successful alignment of corporate and organisational identity, and hereby our case study unfolds some of the so far unexplored complexity of the dynamics of corporate and organisational identity. We strongly encourage more longitudinal case studies of corporate and organisational identity change in order to promote our understanding of the implications of enduring corporate identities for organisational identity construction and development.

## **Conclusion**

Our main contention is that an enduring corporate identity can be counterproductive for organisational development. Our contribution to identity theory lies in the demonstration of how an enduring corporate identity may be dysfunctional for organisational identity construction without pressure in terms of changes in external audiences' perceptions.

We believe that our process model of the identity dynamics enhances the understanding of how corporate and organisational identity interrelate over time and may lead to positive as well as negative disalignment. While the research on identity predominantly presents endurance as a positive, valuable identity characteristic, our research indicates that a central, distinct and enduring corporate identity has an equally debilitating influence on a company's organisational identity. Moreover, the study highlights the need to understand the contextualisation of the process of identity alignment and disalignment, as it shows how corporate and organisational identity dissonance in one situation results in positive alignment while in another situation results in disalignment. By examining the process of negative disalignment of corporate and organisational identity in the context of an appealing, strong and enduring corporate identity, we hope to have encouraged more longitudinal research on

identity construction and development processes as well as on the influence of the media on identity dynamics.

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<sup>i</sup>Our questioning of the value of an enduring identity should not be confused with the discussion of whether identity is really durable, or whether identity is rather an illusion preserved for the purpose of appearing stable and consistent over time for internal and external consumption as expressed by Gioia (1998). We have presented data that shows the stability and endurance in the media's as well as top management's perception of a company's corporate identity during ten years. No matter the intentions behind the corporate identity, we take an interest in the value of this endurance in terms of its implications on organisational identity.

**Table 1: Ten years of expressions of public, corporate and organisational identity in Oticon: Quotes**

	<b>Phase 1: 1990-1991</b> <b>Introduction of Corporate Vision</b>	<b>Phase 2: 1992-1997</b> <b>Living the Corporate Vision</b>	<b>Phase 1998-2000</b> <b>Alienation from Corporate Vision</b>
<b>PUBLIC IDENTITY</b> <b>(as expressed in the media)</b>	<p>"The company of the future looks like spaghetti", Berlingske Tidende, 4 August, 1991</p> <p>"Competition on intellectual capital", Information, 15.-16. June, 1991</p> <p>"Capitalism for the people", Business Magazine, 24 August, 1990</p> <p>"The soccer team replaces the pyramid", Aktuelt, 14 September, 1991</p> <p>The future company is without departmental borders", Børsen, 16 April, 1991</p>	<p>"Think the unthinkable", Børsen, 29 January, 1993</p> <p>"Nomination in prestigious international business prize to Oticon's unique design of offices and work practices", Børsen, 9 September, 1993</p> <p>"Flexible leave offer to Oticon employees", Børsen, 26 October, 1993</p> <p>"Oticon towards spaghetti and success", 26 February, 1996</p> <p>"The revolution at Oticon: creating a spaghetti organisation", Research Technology Management Washington, Sept/Oct 1996</p> <p>Lars Kolind practises what he preaches to the extent that he is 'Mr Oticon Incarnate' – so much that he sometimes introduces himself as 'Lars Oticon'. Professor Thyssen (1998:234)</p>	<p>"Oticon's spaghetti organisation has formed a "school", Børsen, 14 January 2000</p> <p>Oticon is "an example of a company with fluent structures which we will see more of in the future", Børsens Nyhedsmagasinet, 6 March 2000</p> <p>Oticon is a "pioneer on working environment", Jyllandsposten, 10 November 1999</p> <p>Oticon is pioneer on office design, Jyllandsposten, 13 November 2000</p> <p>"Oticon receives one of the world's most prestigious prizes for its employee policy", Jyllandsposten, 2 June, 1998</p> <p>"Oticon is industrial locomotive that contributes to driving growth", Børsen, 2 February, 2000</p>
<b>CORPORATE IDENTITY</b> <b>(as expressed by top management)</b>	<p>"Spaghetti – because it is an organisation which like a portion of newly boiled spaghetti always moves, never stays the same – yet is a portion", Lars Kolind, 1990</p> <p>"We have no departments or titles. All activities are projects, which finish once the job is done. 'No hierarchy', but rather a 'network of experts' with informal relations between them. A team of people 'guided by common human values', common goals and common strategies. A team of individuals, 'free to take initiatives' and 'free to make things happen'. Lars Kolind, 1991</p>	<p>"Oticon looks for really good people - creative, talented, committed people."</p> <p>Re-engineering and abolishment of traditional powerbases and titles is the way forward for other companies than Oticon, Lars Kolind (Politiken, 21 May, 1995)</p> <p>"We think the unthinkable in Oticon", Lars Kolind (Børsen, 29 January, 1993)</p> <p>"People who think outside their own professional area and who want to make a difference. You could be one of them. And one of us" <a href="http://www.oticon.com">www.oticon.com</a> - 1997</p>	<p>"Our very close co-operation (i.e. Niels Jakobsen and Lars Kolind's co-operation, red.) – without a formal delegation of tasks means that independently of each other we would almost always give the same answers to the same questions. Indirectly this is also a necessity where the organizational structure is as flat as in Oticon with all employees having direct access to management", Niels Jakobsen, 1998</p>

<p><b>ORGANISATIONAL IDENTITY</b> (as expressed by organisational employees)</p>	<p>"The spaghetti ... it is utopian, it is absolutely abstract". Employee, 1991</p> <p>"Things are not coherent anymore. There is a lot of uncertainty in the organisation. Quite a few colleagues are concerned about their future here, as the spaghetti unfolds. But we all know we have to change, and Lars' spaghetti may be the right way".</p> <p>"And Lars (the CEO) told us in understandable terms what is wrong with the company: every time we sell a hearing aid, we loose 29 DKK. We need to do something about this".</p> <p>"The spaghetti vision has exposed us as "the Old Oticon", because the spaghetti is so radically different from what we are".</p> <p>"Lars is miles away from the organisational reality. He thinks the vision is reality already, because he stated it. It is not. But things are changing. I am looking forward to be able to speak my mind and come up with my ideas for organisational changes and product development".</p> <p>"I have to admit that I have been a little surprised my own reactions lately, since I regard myself a sceptic towards the spaghetti. After my talk about the spaghetti vision to this group of managers from a business club, they asked my if all my Oticon colleagues were just as excited about the spaghetti organisation as I was".</p>	<p>"What impressed me and what still impresses me is when the annual budget is up. We all get together in the cafe and Niels Jacobsen walks through the numbers. I have not experienced this in any other place. Particularly not in this honest and open way, where he says what we should do, what we should be aware of etc. Here you have trust in people until the opposite has been proved".</p> <p>"It's a great place to work. You don't have a boss constantly looking over your shoulder and you have lots of really competent and inspiring colleagues".</p> <p>"This is a true Darwinian organisation. There is a finite amount of re-sources and only the ones who succeed in creating – who can substantiate and justify the need for more resources. They get the resources in this organisation. And if you cannot substantiate your needs, then you will not get the resources".</p> <p>"An employee at Oticon has to be extrovert and ready to fight. We discuss a lot in here. If you're too weak, they'll walk all over you".</p> <p>"During the time people are employed in Oticon, they are required to be completely with it, and be responsible, creative and independent. According to my colleauge, for those who have drive, guts, and good ideas, there is plenty of room for manoeuvre. It can be difficult to be a quiet and shy type at Oticon. There is more room for those who use their elbows in the very masculine culture that exists there. Quiet types are necessary, but it's those who are dynamic who become the favourites – super individualists who are valued for the things they have created".</p> <p>"The first and only really important thing to do at Oticon is to establish a network. Otherwise you are lost. Some people are good at that and some people</p>	<p>"A number of the non-product-oriented marketing functions has disappeared during the past two years. With the exception of perhaps one person, all concept marketing and all value marketing has been removed. The only thing left is the product managers and a traditional product management structure. However, the concept managers who either did consumer marketing or loyalty programmes are gone".</p> <p>"The "lights are switched off" and have been so for the past two years. You will only find William Demant if you care to read the share prices; and you will only know that Oticon is part of William Demant if you take the trouble to order the annual report or go on the internet. That is the level of communication that has been decided. Last summer, I asked the board whether I or someone else should play an active PR role in Denmark. The answer was no. They would like some peace and quite. In my opinion, that's unwise. Although our previous communication may have been somewhat misleading in terms of painting a realistic picture of the company – and you can laugh about that – it still represents a tremendous brand value. Other companies would pay billions to gain Oticon's visibility and profile ... I will not take responsibility and put my name on something that I believe is entirely wrong. I'm happy that I'm going into another job in PR while Oticon is still a recognised brand. In four years time, Oticon would not offer much leverage".</p> <p>"As long as the organisation appears in the media and is praised by ministers and everyone else, it is fine. But when this stops and one cannot reflect oneself in the external profile ... Then we will stop talking about the organisation to our friends and family. And then Oticon as a work-place might not be so attractive anymore".</p> <p>"The typical way they use, if they don't want to promote an idea, is to give the proposer more work and then to say that he or she has to carry out the original work tasks before spending time on this new idea that is then only given a</p>
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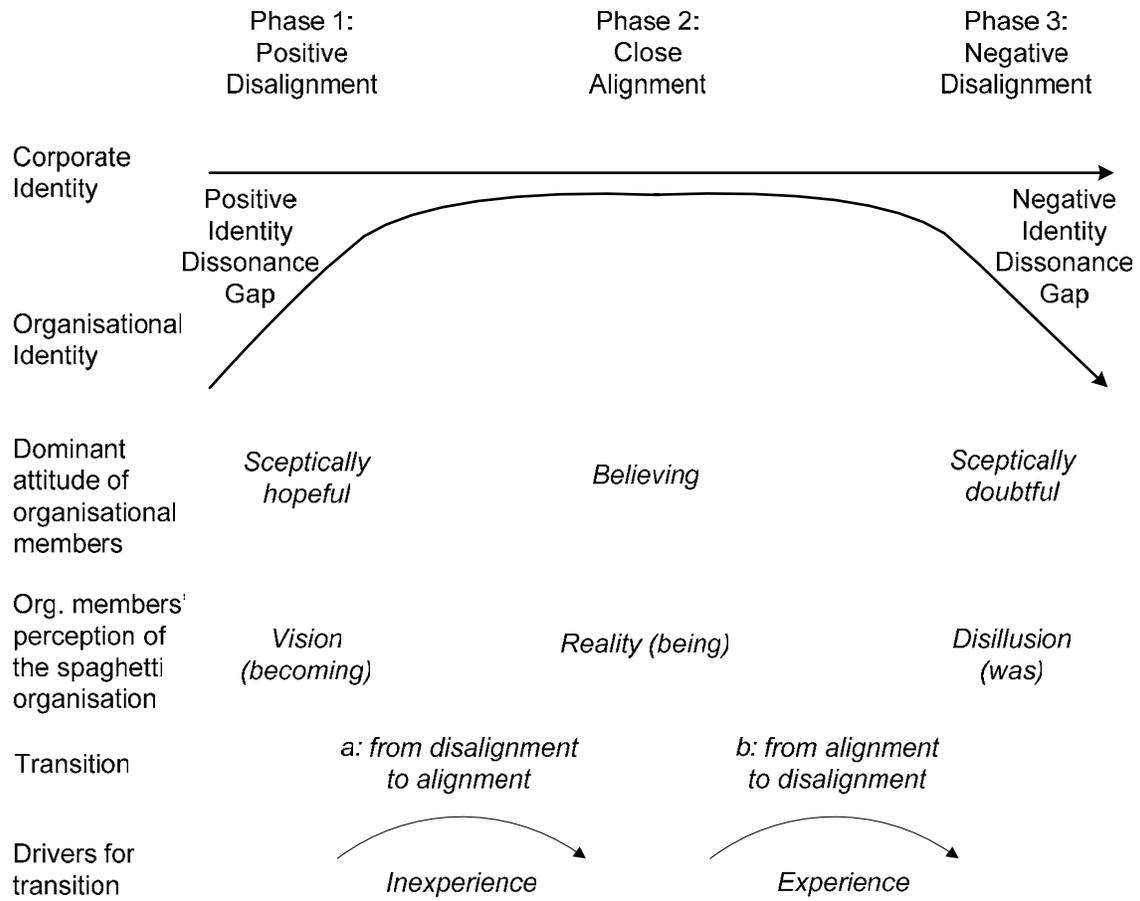
	<p>"We are a heterogeneous group, and we often disagree, but at least we have started to talk with each other across departments".</p> <p>"No matter how busy he might be, he is always available to listen to any member of staff, and to discuss any issues, large or small. Not only that, but he extrudes interest, concern, and understanding. And even more important, leaves everyone with a comfortable feeling that you are in no way disturbing his busy schedule".</p>	<p>are not. If you are not good at that, I think you will have a hard time in here. That is a fact, and I know that they hate it when I say it, but it is the most political organisation that I have ever worked for".</p> <p>"I have loved it here, because it has been so non-hierarchical. [But it was] a very difficult place to start, because 'you don't have anything to go by'. You don't know who people are or what they do ...".</p> <p>"Oticon has a very individualistic culture. You have the opportunity to do what you want to do, but you have to fight for it ... And some people give up because they do not have the energy to fight for their interests".</p> <p>"You have to be persistent. Actually, you have to be like a pit-bull terrier that catches hold of someone's trouser leg with its teeth. You should not yield until you have had your way. If you ask some of the others, they might not think that it is as easy as I do to get something through".</p> <p>"Quite a few [projects driven by non-management organisational actors] are allowed to run if they have enthusiastic project managers who set the agenda for the project. Then they are allowed to let it run. And it can run as long as you do not request considerable resources. This would probably not be allowed in more hierarchical organisations, where management would play a more active role from the very start to find out what the project was supposed to be about".</p> <p>First and foremost, you have to create a network in Oticon – otherwise you are lost. Some people are good at that and some people are not. I believe that working for Oticon is 'a fast track to becoming a member of parliament'.</p>	<p>third priority. The first two priorities are the ones that you are measured by. Then you of course work on those tasks first and the third one naturally fades out and becomes a maintenance interest-based project. And that is what has happened to the internet project. Both for me and for my colleague it has become a maintenance project. Management does not own it, and therefore it is kept running and nothing more. And then it eventually turns into a bad conscience project".</p> <p>"Every little decision was made into a major conflict. Some seemed to be in opposition just because they had not made the decision themselves. Not because they disagreed".</p> <p>"It [the image] is still there. But it is rapidly decreasing because, by and large, there have been no articles about Oticon in the past two years other than those about the stock value. Maybe one did think that it was a little over the top that Lars had to share his opinion about the state church and day care and what ever, but...".</p> <p>"However, what we miss from the old organisation is the vision – it may be that the vision was somewhat cluttered or perhaps it wasn't communicated enough, but at least the vision was personified for better or for worse by Lars, and the vision was there, somewhere. You somehow believed the rambling that we were on a quest to save humanity. Someone actually believed in it. You laughed a little about it and someone took it as an anticlimax and identified themselves in relation to it. The problem today is that the vision is gone".</p> <p>"In theory you are free to move between functions, and no departments with high walls persist. But in reality 'walls are coming up', and it is not easily accepted if you want to move to another function".</p> <p>"The values they preach are still the same. But they are phoney. They are not realised. Just talk".</p>
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**Table 2: First and second order concepts: public, corporate and organisational identity**

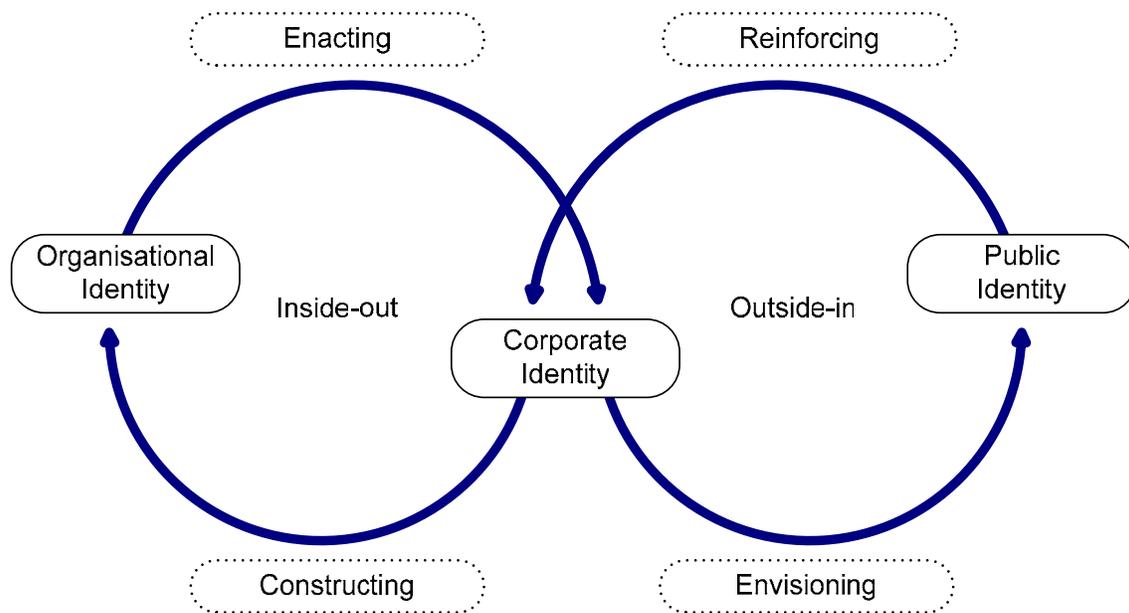
	<b>Phase 1 Positive Disalignment</b>	<b>Phase 2 Close Alignment</b>	<b>Phase 3 Negative Disalignment</b>
<b>PUBLIC IDENTITY</b> <b>First order concepts:</b> (initial conceptualisation of raw data)	Innovative Knowledge-based Daring Flexible Daring Creativity Productivity Efficient organizational structure Democratic	Innovative Knowledge-based Daring Successful Research-oriented Competitive An inspiring place to work Prize and award winner A national icon of innovation	"Spaghetti" Knowledge-based Daring Successful Research-oriented Competitive An inspiring place to work Prize and award winner A national icon of innovation Durable Internationally Famous
<b>PUBLIC IDENTITY</b> <b>Second order concepts:</b> (aggregate concepts based on first order concepts)	"Spaghetti" Innovation Cutting-edge	"Spaghetti" Innovation National icon	"Spaghetti" Innovation Economic succes
<b>CORPORATE IDENTITY</b> <b>First order concepts:</b>	"Spaghetti" Intellectual capital/employees Product development Flexibility Values Efficiency Collaboration	"Spaghetti" Intellectual capital/employees Product development Flexibility Values Efficiency Collaboration	"Spaghetti" Intellectual capital/employees Product development Flexibility Values Efficiency Collaboration
<b>CORPORATE IDENTITY</b> <b>Second order concepts:</b>	"Spaghetti" Innovation Knowledge	"Spaghetti" Innovation Knowledge	"Spaghetti" Innovation Knowledge
<b>ORGANISATIONAL IDENTITY</b> <b>First order concepts:</b>	Appealing but abstract spaghetti vision Inconsistencies Uncertainty and frustration New opportunities if you fight Previous organisation appears "old"	Spaghetti You can do what want A steady stream of visitors You are your own boss Creativity Many opportunities to start something new Openness for new ideas Not hierarchical Self-conscious "stars"	Decline of spaghetti Inconsistencies Uncertainty and frustration Disappointment Anger Sceptical and negative attitudes Wasted time Loss of job satisfaction

	<p>No one has tried this before</p> <p>Seduction, self-seduction</p> <p>Hesitant optimism</p> <p>Employees achieve "star-status"</p> <p>An attractive place to work</p>	<p>An attractive place to work</p>	<p>Many unsolicited job applications</p> <p>Informally there is a hierarchy</p> <p>Things are not as they were before</p> <p>The values are phoney</p>
<p><b>ORGANISATIONAL IDENTITY</b></p> <p><b>Second order concepts:</b></p>	<p>Emerging spaghetti</p> <p>Inconsistencies</p> <p>Inexperienced</p> <p>Pioneering spirit</p>	<p>Spaghetti</p> <p>Consistency</p> <p>Experiencing/enacting</p> <p>Pride</p>	<p>Declining spaghetti</p> <p>Inconsistencies</p> <p>Experienced</p> <p>Disillusion</p>

**Figure 1: A Process Model of Corporate and Organisational Identity Dynamics**



**Figure 2: The Catch-22 of a Strong and Enduring Corporate Identity**



Inspired by Hatch & Schultz (2002)